

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – NOVEMBER 19, 2003

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. Guests: Al Picconi, United Beverages, Inc.; Brian Law and Michael Goclawski, Law Warehouses; Joseph D'Alessandro, Division of Personnel.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending 11/26/03 shows retail sales were up almost 9%, on-premise sales were down around -12.6%, off-premise sales were up 14.2%, and total aggregate sales increased by 7.7%. The traffic count was up by 9,560, as was the average sales ticket by \$.09.

The W-1 Total Weekly Sales report for the same week confirms total sales were up 7.7% or \$498,067, and were also up for the year by almost 8.7% or \$11,825,872. Wine sales increased by about 9% or \$284,471 for the week, and also increased by 9.3% or \$5,690,503 for the year. Sales of spirits were up for the weekly comparison by around 6.5% or \$213,596, and were also up year-to-date by 8.2% or \$6,135,569.

B. Budget Reports:

There was only one overdue account on this week's outstanding depletions and post-offs report, which is not cause for concern at this point.

There was nothing of significance to report regarding worker's compensation for this week.

The average sale of gift cards has increased significantly, and Craig believes this trend will continue throughout the remainder of the year.

There are five retroactive snow removal contracts on this morning's Governor and Council agenda. The lease for the new Keene store is not on the agenda, but will probably be on the agenda for the second meeting in December.

Craig has prepared a letter for the IT venture fund, and is waiting for OIT staff to finish their part of the project (which is combined with Sweepstakes). A draft letter will be given to the Commission for their review and suggestions some time today.

The current W-6 Expense Budget Activity Variance Report shows the year to be at about 38.6% expended, with total agency expenditures at around 37% of the budget. This percentage is expected to climb significantly for the next report, because indirect costs have just been paid to Administrative Services. Class 50 has taken quite a hit. However, this should start to drop a little soon. The lapse information will also appear on the next report.

Work is being done on two Enforcement grants, both of which have a few minor issues which need to be resolved with the Attorney General's Office.

Approved changes to the new annual report were received back from the advertising agency yesterday. OGB will be asked to transfer the report files to take to the State printers in order to save money on those costs.

The Financial department is also working with Howard Roundy on negotiations with Dell to obtain some additional equipment.

2. IT Report

Howard commented that he received prices for the additional equipment from Dell which are reasonable. Some information has already been submitted to OIT, and a formal letter will be ready today for Commission signatures. The proposal will then have to go to the Attorney General's Office for approval. Howard will try to get this on the Governor and Council agenda for the second meeting in December.

ACR expects to be able to forward the code on gift cards tomorrow. The process will be checked to make sure everything is working.

A new feature has been added to give users the ability to obtain the mailing list with RSVP, which appears on the web home page. Howard explained a little on how to access information. Howard previewed the work being done on selling gift cards on the internet. Again, Howard explained how this option is accessed and used. Marketing will be responsible for the operation of this system.

II. MARKETING & SALES REPORTS

1. Store Operations:

Total store sales for the week ending 11/16/03 were up \$430,030.15 or 9.05%. There was nothing out of the ordinary to report. However, Peter did say that some

problems with asbestos in part of the building to house the new Brookline store had caused delays. The opening date has been changed to the first Monday in December.

Hand held telezons on loan from Data Capture, a Connecticut company, are being used in Stores #20 Derry and #74 Londonderry to give employees a chance to get a feel for them. If purchased from that company, any repairs to the units would be made for one-half the usual cost. One type has a scanner, while the other has the technology to take pictures. Peter expects to receive some feedback shortly from the stores, and a decision regarding purchase will be made after Thanksgiving. The RFP process would be very simple, and would probably take no more than six weeks. In that case, they would be available for use during year-end inventory.

Peter met with the Preston family of Seabrook who own a piece of property approximately 3,600 square feet in size which they would like to lease to the Commission. The property has plenty of space for parking and would be ideal for a seasonal store. Commissioner Byrne agreed that this would be a very good site for a store to be opened from May through September. A blank lease copy will be sent to the landlord for review.

2. Purchasing Report:

John reported that the out-of-stock situation continues to improve. There is currently 43% more product in the warehouse (over 200,000 cases) than there was at the same time last year. Commissioner Byrne requested a weekly report on the Concord warehouse showing how many cases have been picked. He also felt that any picking problems should be included in the report.

Craig introduced Joe D'Alessandro from the Division of Personnel, who had agreed to speak to the group regarding issues with the new insurance carrier, Cigna Healthcare. Mr. D'Alessandro explained that there were three major medical centers who currently would not accept Cigna's payment rates: Holy Family Medical in Methuen, Massachusetts, Portsmouth Internal Medicine and Summit Medical Group in Littleton. Cigna is currently working with representatives from these companies to reach a compromise on rates. A problem with late payments by Cigna is also being addressed. Mr. D'Alessandro also explained how issues with individual physicians who don't now accept Cigna are being resolved. Currently, the requirement for prior approvals is being waived, chiropractic services are accepted. Group meetings are being held with Cigna every week to resolve whatever issues surface.

There was also some discussion regarding the lack of a Human Resources coordinator, not only within the Commission, but including some other State agencies.

3. Purchasing Report:

A. SPIRITS:

- 1) Special Offers for January 2004 (1 item – United Beverages, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an additional special offer from United Beverages, Inc., based upon depletions (without matching funds) of one (1) spirit items, to be featured on sale during January 2004, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) Tabled Items (from 11/12/03):

- a. Test Market Request (Goslings Old Family Rum Reserve):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Marie Brizard USA for a new test market listing for Goslings Old Family Rum Reserve, 750ML size (assigned Code #4221), to be carried in Cluster 1 and 2 stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Test Market Result (Code #3629):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of Code #3629, Sauza Gold Tequila, 375ML size, as the product failed to achieve the required gross profit at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. One Time Buy (Vermont Gold Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from Martignetti Companies of N.H./Duncan Spirits for the Commission to make a one-time purchase of fifteen (15) cases of Vermont Gold Vodka, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. January Special Offers (60 items – Horizon Beverage):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of sixty (60) spirit items, to be featured on sale during January 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

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- e. January Special Offers (103 items – United Beverages):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of one hundred and three (103) spirit items, to be featured on sale during January 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. January Special Offers (39 items – United Beverages):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of thirty-nine (39) spirit items (without matching funds), to be featured on sale during January 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- g. January Special Offers (28 items – Executive/Martignetti):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits/Martignetti Companies of N.H., based upon depletions of twenty-eight (28) spirit items, to be featured on sale during January 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- h. January Special Offers (4 items – Pine State Trading Co.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Co., based upon depletions of four (4) spirit items, to be featured on sale during January 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- i. January Special Offers (5 items – M.S. Walker, Inc.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of five (5) spirit items, to be featured on sale during January 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

j. January Special Offers:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twenty-five (25) spirit items to be featured during the Holiday Sale, scheduled for the period of Thursday, December 18, 2003 through Sunday, January 4, 2004, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1. Full Distribution (Codes #33579, #34154 & #35606):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve full distribution (available to all stores if requested by customers) of the following three (3) 750ML size wine codes, each of which has earned at least \$6,500.00 during a twelve-month period, the majority of which have been in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #33579, Tommasi, Valpolicella; Code #34154, Vestini, Montepulciano; and Code #35606, Castle Rock Chardonnay. The motion was unanimously adopted.

2. Store Tastings:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc. to conduct store tastings during November and December 2003 from 4:00 to 7:00 p.m. on Thursdays and 12:00 to 3:00 p.m. on Saturdays at Stores #4 Hooksett, #60 West Lebanon, #69 Nashua, #23 Conway, #34 Salem and #6 Nashua, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3. “R” Wines for Allocation to Licensees (1 item):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve one (1) “R” wine code for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4. Primary Source Submissions (8 items – exclusive agent; 13 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of eight (8) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and thirteen (13) wine codes which are not from primary source, but are imported, as recommended

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by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORTS – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated November 13 through November 19, 2003. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests effective for the month of December 2004. The motion was unanimously adopted.

3. Late Item: Store Hours Recommendation – Store #22 Brookline:

After some discussion regarding adequate staffing for both Brookline and Nashua, it was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve option "B" regarding store staffing and store hour recommendations for the new Store #22 in Brookline, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4. Other: Liquor Return Request:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the return to stock of 1,000 cases of product from The Quay Restaurant in Wolfeboro, N.H. due to an indefinite closing of the facility. The motion was unanimously adopted.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

